

VZCZCXRO2016  
RR RUEHMA RUEHPA  
DE RUEHBP #0589 1761404  
ZNR UUUUU ZZH  
R 241404Z JUN 08  
FM AMEMBASSY BAMAKO  
TO RUEHC/SECSTATE WASHDC 9352  
INFO RUEHZK/ECOWAS COLLECTIVE

UNCLAS BAMAKO 000589

SIPDIS

E.O. 12958: N/A

TAGS: [EAGR](#) [EAID](#) [ECON](#) [ETRD](#) [ML](#)

SUBJECT: PRIVATIZATION OF MALI'S STATE-OWNED COTTON COMPANY  
MOVES AHEAD

11. Summary: On May 28 Mali's Council of Ministers' passed a draft law authorizing the sale of government stock in the cotton parastatal, Malian Textile Development Company (CMDT), marking a major step in the World Bank-sponsored reconstruction of the Malian cotton sector. The text now goes to the National Assembly for ratification. CMDT workers and farmers' unions, however, still pose a significant obstacle to privatization efforts and are likely to place increased pressure on National Assembly Deputies when the law authorizing the sale of CMDT reaches the Assembly floor. End Summary.

12. On May 28 the Council of Ministers approved a draft law authorizing the sale of the government of Mali's shares in CMDT. The government currently owns 92.38 percent of CMDT's shares. The remaining shares have been bought by French Geocoton, formerly Dagris. This draft law marks a major step in the World Bank-sponsored privatization process of Mali's cotton parastatal. The National Assembly is slated to vote on the draft law on July 5 although there are already indications that some Deputies will vote against passage.

13. Provided the law passes, the Malian government then will create four independent subsidiaries of CMDT divided by geographical region -- Southern Sikasso, Eastern Koutiala, Central Fana, and Western Kita. All relevant assets and liabilities currently under assessment will then be allocated to the four subsidiaries. When the sale of government shares is complete (the call for bids is currently scheduled for November 2008), the CMDT will have been transformed into four privately owned companies each with the autonomy to gin and sell cotton in their respective regions.

14. Although the Council of Ministers' decision has been expected for months, it triggered negative reactions from cotton farmer and CMDT worker's unions. Cotton farmers and CMDT unions were regularly consulted during restructuring discussions. Their participation, however, has not reduced criticism of Mali's privatization efforts as the unions continue to argue that CMDT privatization will plunge Mali's cotton sector into turmoil similar to that experienced by Burkina Faso, Benin and Cote d'Ivoire. A high-ranking member of Mali's Cotton Restructuring Commission told the Embassy he believed the CMDT workers' union was positioning itself to bargain for better severance payments in advance of "inevitable hundreds of lay-offs to come in the future." Farmers' unions are also warning of layoffs, disincentives to cotton cultivation, and an end to seed and fertilizer subsidies.

15. COMMENT: Many Malians believe the CMDT's main problem is not its parastatal status but decades of rampant mismanagement. Declines in the world price of cotton have aggravated the situation. Although the privatization of the CMDT has been underway for years, cotton farmers and CMDT workers remain unconvinced of the need to privatize and wary of negative impacts that may harm cotton growers and reduce the power of CMDT labor unions. More serious concerns focus on the viability of four private cotton companies and their understandable need to reduce costs, cut corruption, and

increase operational efficiency while maintaining a work force and supply network that has never had to focus on turning a profit.

MCCULLEY